

City of Sequim 2015 Budget

All City & General Fund Overview



City Of Sequim Budget Overview

Budget Development Process

Policy Strategy Phase

Council Planning Retreat

Long Range Financial Plan

Public Input via Council Meetings & Community Survey

Needs Assessment Phase

Department Program and Staff Requests

City Manager Review of Requests

City Manager Proposed Budget

Public Hearing

Public Hearing on Revenue Sources
(Property Tax Levy, Rates and Fees Schedule)

Public Hearing on Budget

Adoption & Implementation

Council Adopts Budget



City of Sequim
2015 Budget
(Revised October 6, 2014)

	A Beginning Fund Balance	B Revenues	C Expenses	D=B-C Surplus / (Deficit)	E=A+D Ending Fund Balance
General Fund					
001 General Fund	1,739,842	8,399,740	8,386,150	13,589	1,753,431
Special Revenue Funds					
101 Street UnRestricted	148,618	817,507	811,594	5,913	154,531
111 Street Restricted	538,962	1,675,231	1,677,421	(2,190)	536,772
107 StormWater UnRestricted	36,644	110,475	100,248	10,227	46,871
117 StormWater Restricted	5,765	328,067	318,843	9,224	14,989
115 Lodging Tax Hotel/Motel	212,117	249,827	246,425	3,402	215,519
120 Police Restricted	73,723	372,952	385,717	(12,765)	60,958
121 Police Asset Seizure	23,395	20,274	20,000	274	23,669
140 Parks Restricted	107,913	215,877	280,869	(64,991)	42,922
150 Real Estate Excise Tax	249,442	346,758	370,000	(23,242)	226,200
160 Gifting & Donations	0	10,500	10,500	0'	0'
164 Equipment Reserve	535,746	125,526	358,201	(232,676)	303,071
Debt Service Funds					
206 Debt Service Fund	3,265,544	650,460	3,907,990	(3,257,530)	8,014
Capital Funds					
306 Capital Facilities Fund	34,616	6,350,705	6,383,078	(32,373)	2,243
Enterprise Funds					
401 Water UnRestricted	763,750	1,897,782	1,888,736	9,046	772,796
411 Water Restricted	2,051,922	3,042,380	3,877,538	(835,158)	1,216,764
402 Sewer UnRestricted	1,303,543	3,694,580	3,581,154	113,426	1,416,969
422 Sewer Restricted	3,775,870	5,060,628	4,676,161	384,468	4,160,338
Trust, Agency & Permanent Funds					
500 Unemployment Compensation Reserve	40,251	0	10,000	(10,000)	30,251
621 Police Expendable Trust	1,721	20,000	20,000	0	1,721
631 Construction Deposits	0	325,000	324,999	1	0
635 Intergovernmental Agency Fund	5,269	178,247	178,080	167	5,436
645 Utility Security Deposits	101,892	100,000	100,000	0	101,892
701 Haller Park Fund	37,541	440	0	440	37,981
	15,054,086	33,992,956	37,913,704	(3,920,748)	11,133,338
	0	0	0	1	1
		10,274,858	10,274,858	Transfers In / Out	
		23,718,098	27,638,846	Net of Transfers	
		2,169,273	2,169,272	InterFund Service Charges*	
		21,548,825	25,469,574	Net Revenues/Expenses	
				w/o Transfers	
				& Interfund Services	
		14,920,084	14,767,882	Operating Funds	
		19,072,872	23,145,822	Restricted/Project Funds	
		33,992,956	37,913,704		



City Of Sequim Budget Overview

Summary of Total Revenues & Expenditures

Where will the Money come from?

Revenues

- **Fund Balance** – This is the net assets of a fund that have accumulated over time. For the City of Sequim, fund balance equals cash. The fund balance is considered a revenue source for expenditures. Typically fund balance is used for one-time expenses and capital projects.
 - Capital Projects: Streets, Parks, Capital Facilities (Civic Center), Water, Sewer and REET funds are being used for various capital projects.
- **Taxes** – Consists of sales taxes, property tax, utility (B&O) tax, Hotel/Motel taxes, Public Safety Tax and the Real Estate Excise Tax (REET).
- **Licenses & Permits** – Consists primarily of building permit fees, which fluctuate depending on development activities and business license fees.
- **Intergovernmental** – Consists of State taxes that are distributed to cities (Criminal Justice, Liquor, Fuel, PUD Privilege Tax), interagency funds and grants
- **Goods & Services** – Water and Sewer meter sales, fees, Interfund Services, Plan Check fees which fluctuates with development activity
- **Utility Charges** – Consists of water and sewer service charges.
 - For 2015, the budget reflects a 4% revenue requirement/increase as identified in the accepted 2013-2014 Rate Study (pending approval by Council). Could be achieved either through rate structure changes or simple rate increases
- **Fines & Forfeits** – Consists of traffic infractions, DUI fines, criminal fines, court costs recoupment
- **Other Miscellaneous** – Consists of investment interest, mitigation fees which fluctuate with development activity, space rental, gifts/donations, insurance recoveries
- **Enterprise Fiduciary** – Consists of Water and Sewer General Facility Fees (capital contributions) which fluctuate with development activity.
- **NonRevenue/Financing** – Consists of transfers between funds for capital projects and debt payments. It also includes Construction/Retainage and utility deposits and Latecomers fees.

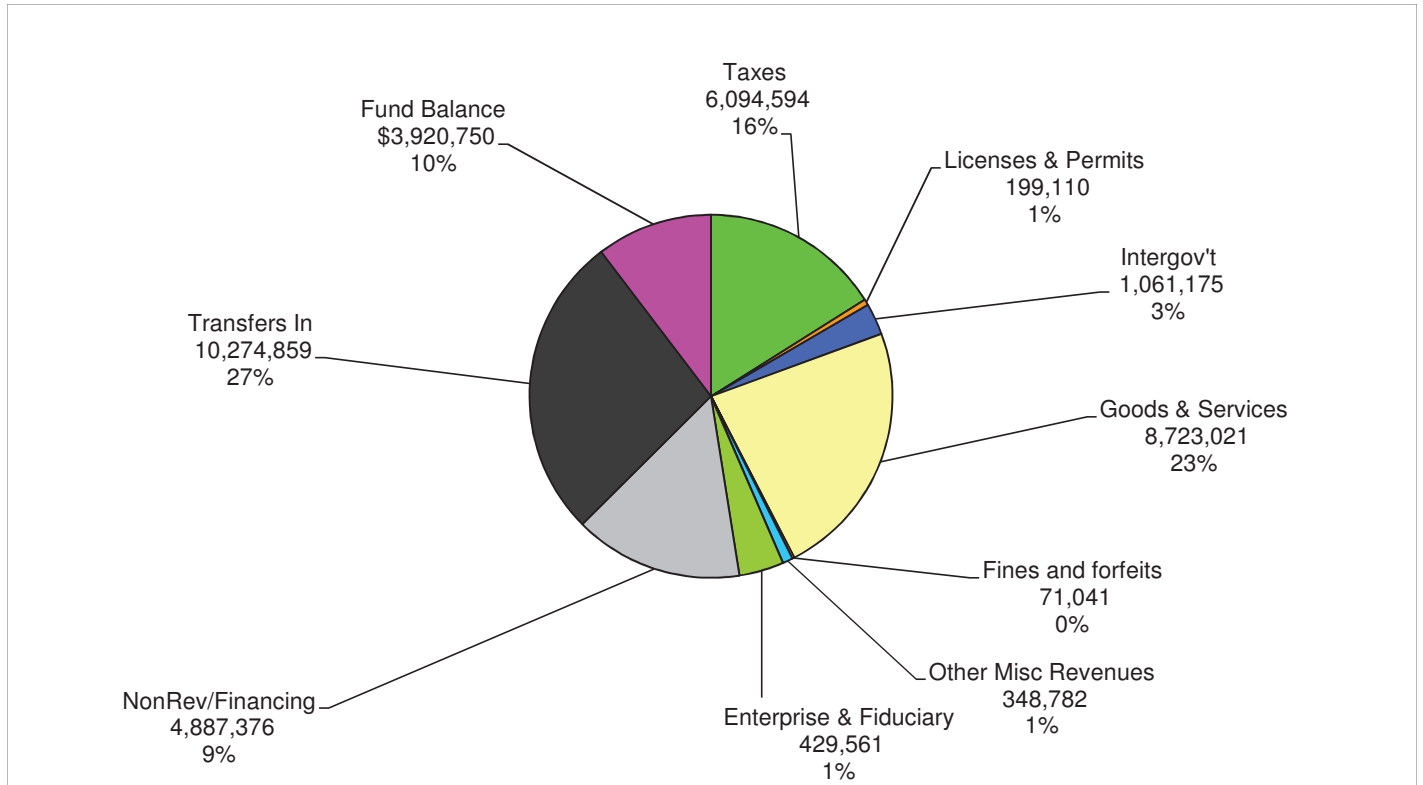
Where will the Money go?

Expenditures

- **Operations** – Consists of the General Fund, Street and Stormwater Operations, Water and Sewer Operations.
- **Capital Projects** – Consists of projects for Streets, Project Stormwater, Water, Sewer and Capital Facilities.
- **Other** – Consists of Trusts and Agency, which are pass-thru funds, Hotel/Motel which is used for tourism, Police Restricted which is grant or donation funded, and various other funds.

**City of Sequim
2015 Budget**

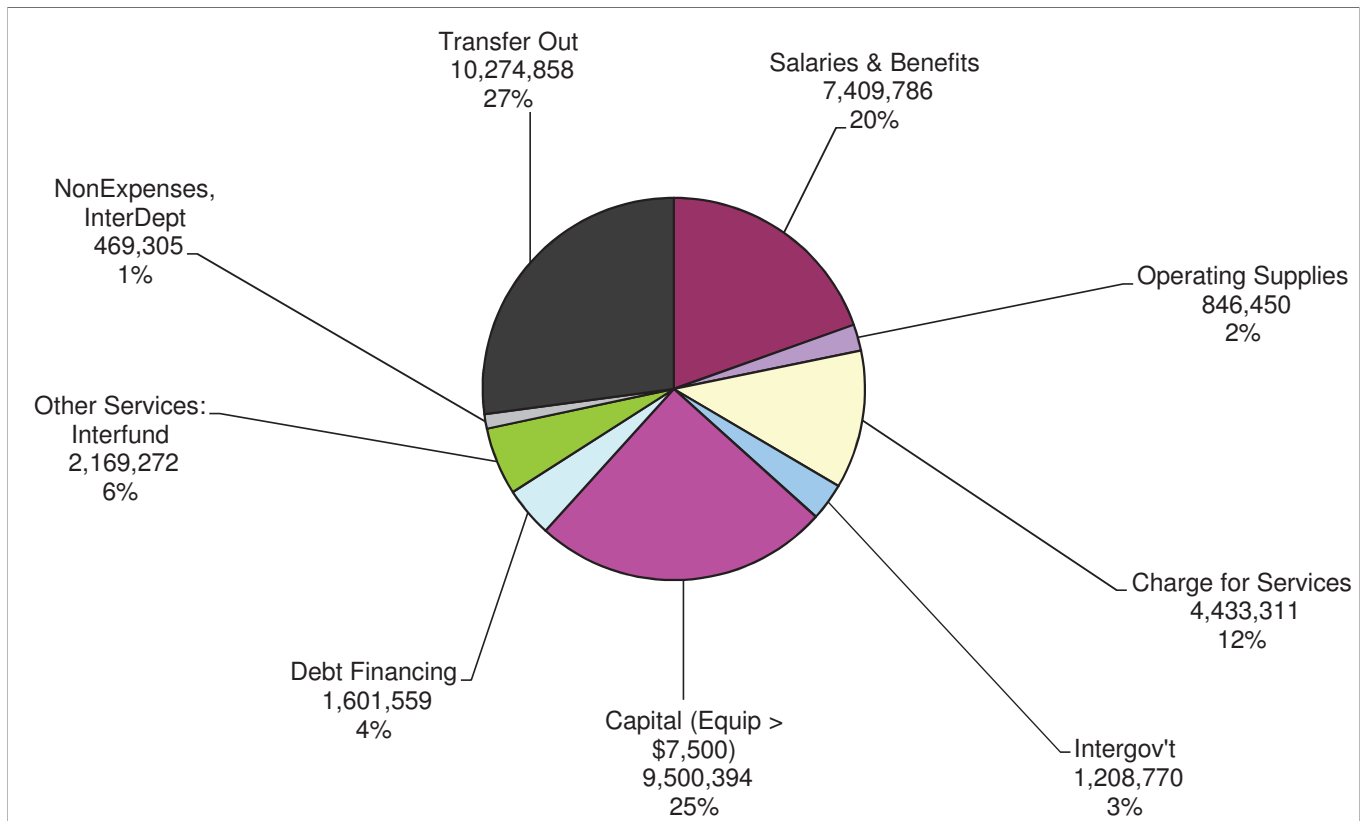
**Where will the Money Come From?
Total Revenue
33,992,955**



	2011 Actual	2012 Actual	2013 Actual	2014 Forecast	2014 Budget	2015 Budget	2015-2014	
							Amount	%
Taxes	5,552,305	5,274,929	6,240,094	5,839,957	5,783,782	6,094,594	310,812	5.4%
Licenses & Permits	162,114	156,158	187,919	178,310	174,145	199,110	24,965	14.3%
Intergov't	819,571	612,483	924,358	534,615	1,363,171	1,061,175	(301,996)	-22.2%
Goods & Services	7,414,555	8,569,038	8,714,356	8,364,594	8,706,987	8,723,021	16,034	0.2%
Fines and forfeits	66,136	69,577	68,249	64,760	77,905	71,041	(6,864)	-8.8%
Other Misc Revenues	468,293	589,874	589,197	419,847	527,501	348,782	(178,719)	-33.9%
Enterprise & Fiduciary	418,987	304,623	460,086	439,783	429,561	1,512,566	1,083,005	252.1%
NonRev/ Financing	113,453	121,572	10,956,470	685,482	4,887,376	5,707,807	820,431	16.8%
Net Revenues	15,015,414	15,698,254	28,140,729	16,527,348	21,950,428	23,718,096	1,767,668	8.1%
Transfers In	3,499,648	2,757,022	3,855,268	11,729,264	20,973,768	10,274,859	(10,698,909)	-51.0%
Revenues	18,515,062	18,455,275	31,995,997	28,256,612	42,924,196	33,992,955	(8,931,241)	-20.8%
Use of Beginning Fund Balance	207,558	1,738,992	(10,238,437)	9,970,212	12,534,670	3,920,750	(8,613,920)	-68.7%
Total Use of Revenue	18,722,620	20,194,267	21,757,560	38,226,824	55,458,866	37,913,705	(17,545,161)	-31.6%

**City of Sequim
2015 Budget**

**Where will the Money Go?
Total Expenses
37,913,705**



	2011 Actual	2012 Actual	2013 Actual	2014 Forecast	2014 Budget	2015 Budget	2015-2014 Amount	%
Salaries & Benefits	6,295,460	6,697,025	6,660,755	7,190,549	7,230,202	7,409,786	179,584	2.5%
Operating Supplies	670,134	660,605	830,612	798,898	866,996	846,450	(20,546)	-2.4%
Charge for Services	2,100,039	2,575,029	3,336,567	3,346,276	3,403,627	4,433,311	1,029,684	30.3%
Intergov't	1,004,353	1,118,853	1,107,278	1,154,161	1,244,417	1,208,770	(35,647)	-2.9%
Capital (Equip > \$7,500)	1,602,907	2,704,442	2,460,091	10,339,963	17,518,807	9,500,394	(8,018,413)	-45.8%
Debt Financing	1,111,309	1,243,350	964,419	1,274,641	1,274,348	1,601,559	327,211	25.7%
Other Services: Interfund	2,003,147	2,407,792	2,379,013	2,118,737	2,488,120	2,169,272	(318,848)	-12.8%
NonExpenses, InterDept	459,847	49,252	163,556	274,334	458,580	469,305	10,725	2.3%
Net Expenses	15,247,196	17,456,348	17,902,291	26,497,559	34,485,097	27,638,847	(6,846,250)	-19.9%
Transfer Out	3,475,424	2,737,920	3,855,268	11,729,263	20,973,768	10,274,858	(10,698,910)	-51.0%
Total Expenses	18,722,620	20,194,268	21,757,559	38,226,822	55,458,865	37,913,705	(17,545,160)	-31.6%



City Of Sequim Budget Overview

General Fund Revenue

2015 Key Goals

- ❖ Conservatively forecast and budget revenues
- ❖ Maintain a diversified mix of revenues to handle fluctuations and appropriately distribute costs of services.
- ❖ Identify ongoing revenues that can be matched with ongoing expenses.
- ❖ Support opportunities to enhance service delivery through intergovernmental cooperation, shared revenues and grants. This revenue will be treated as one-time revenue.
- ❖ Minimize impact of any tax and fee increases on residents and ratepayers, especially low income.
- ❖ Annually review service fees to help ensure fees are cost based for City services that provide private benefit or serve limited interests.

2015 Budget Summary

- ❖ Overall General Fund revenues are down \$126k
 - Sales Tax revenues are flat with 2014 Budget
 - License & Permits revenues are estimated to grow 15% from 2014
 - Utility Taxes are increased based on projected rate changes of City wide utilities
 - Property Taxes will increase based only on new construction plus 1% as allowed by state statute
 - Interfund charges will be based on non General Fund activities where applicable – down due to size of Civic Center project

General Fund Expenses

2015 Key Goals

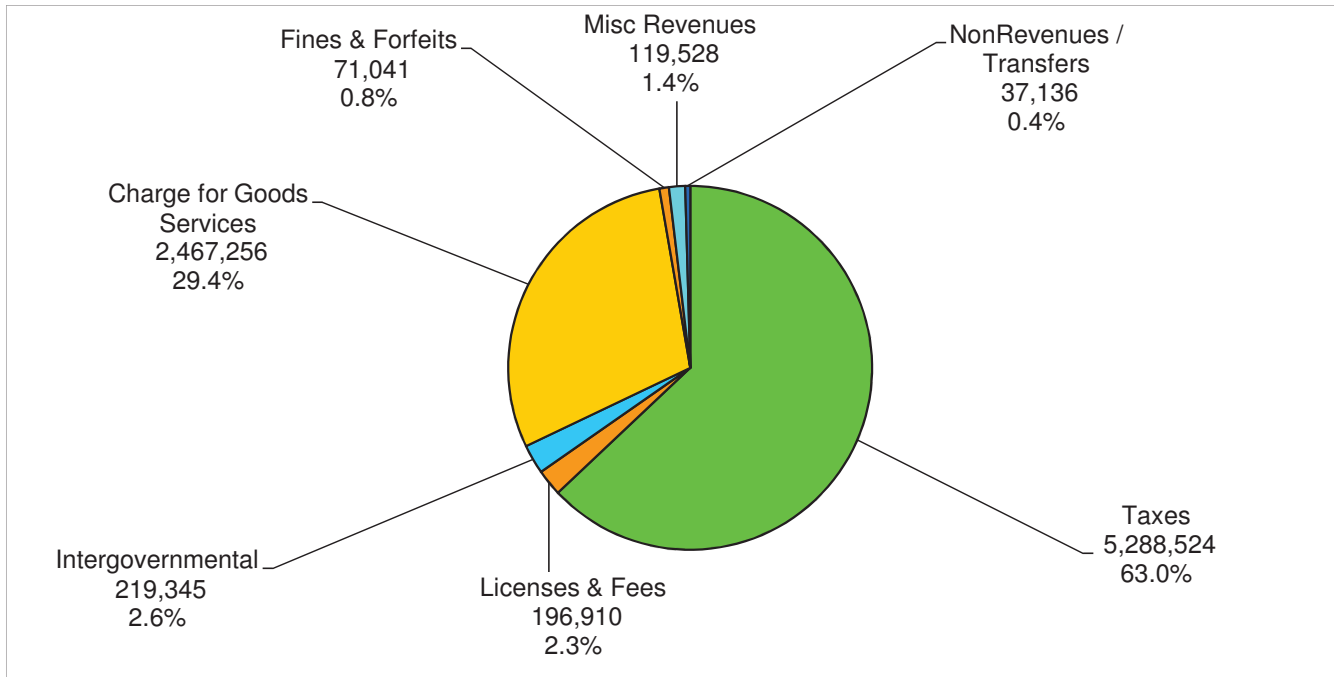
- ❖ Balance ongoing expenditures with ongoing revenues
- ❖ Full cost recovery for rates and fees and interfund support
- ❖ Support opportunities to enhance service delivery through intergovernmental cooperation

2015 Budget Summary

- ❖ Overall General Fund expenditures are down .8%
 - Salary and Benefit increased \$36k combined
 - Transfers out increased \$52k for Debt Service
 - Supplies, Service Charges and Intergovernmental expenses decreased \$157k

**City of Sequim
2015 Budget**

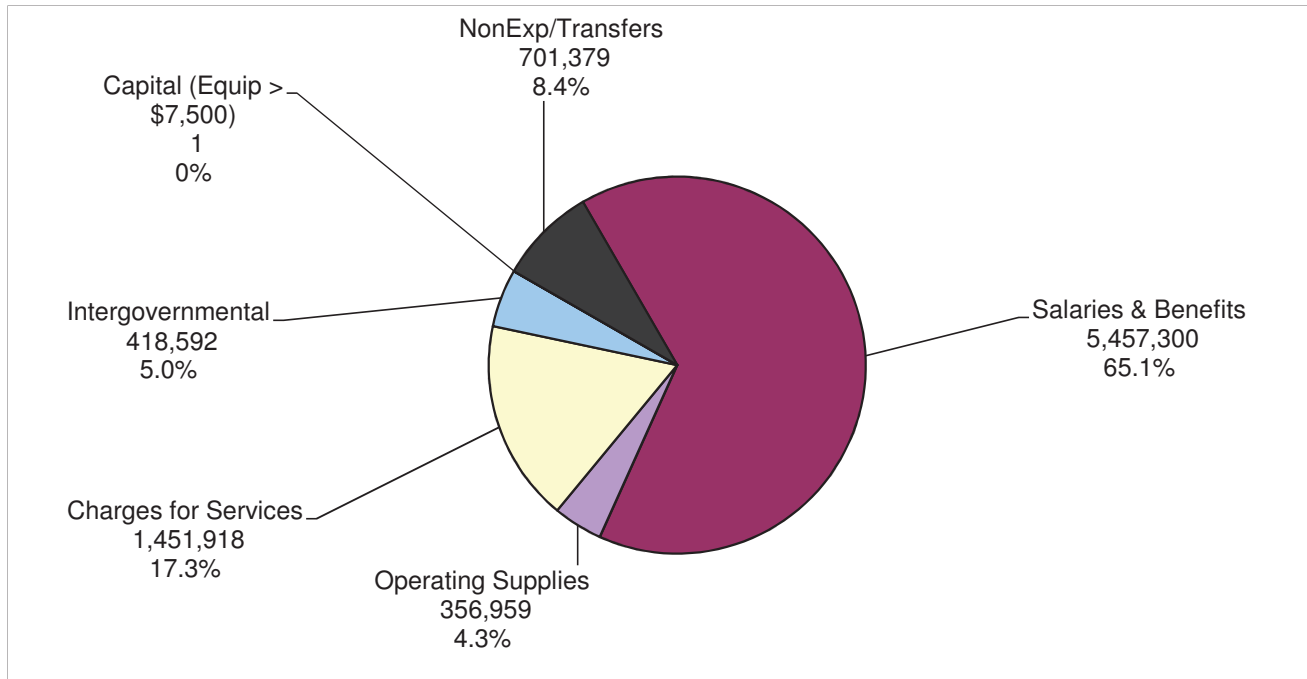
**General Fund Revenues
Total Revenues
8,399,740**



	2011 Actual	2012 Actual	2013 Actual	2014 Forecast	2014 Budget	2015 Budget	2015-2014 Amount	%
Beginning Fund Balance	1,495,647	1,614,777	1,756,105	1,868,524	1,582,825	1,739,842	157,017	9.9%
Taxes	5,086,645	4,945,522	5,066,320	5,202,391	5,167,547	5,288,524	120,977	2.3%
Licenses & Fees	159,541	153,228	187,519	174,898	171,070	196,910	25,840	15.1%
Intergovernmental	200,551	231,750	197,342	227,797	228,124	219,345	(8,779)	-3.8%
Charge for Goods Services	2,091,701	2,629,812	2,595,394	2,380,732	2,756,046	2,467,256	(288,790)	-10.5%
Fines & Forfeits	66,136	69,577	68,249	64,760	77,905	71,041	(6,864)	-8.8%
Misc Revenues	176,658	124,960	132,960	114,897	116,308	119,528	3,220	2.8%
NonRevenues / Transfers	8,981	18,387	5,144	5,728	9,205	37,136	27,931	303.4%
TOTAL Revenues	7,790,213	8,173,236	8,252,928	8,171,203	8,526,205	8,399,740	(126,465)	-1.5%
Total Expenses	7,672,891	8,034,930	8,138,861	8,299,888	8,440,523	8,386,149	(54,374)	-0.6%
Net Surplus/(Deficit)	117,322	138,306	114,067	(128,685)	72,187	13,591	(58,596)	-81.2%
Ending Fund Balance	1,612,969	1,753,083	1,870,172	1,739,839	1,655,012	1,753,433	98,421	5.9%

**City of Sequim
2015 Budget**

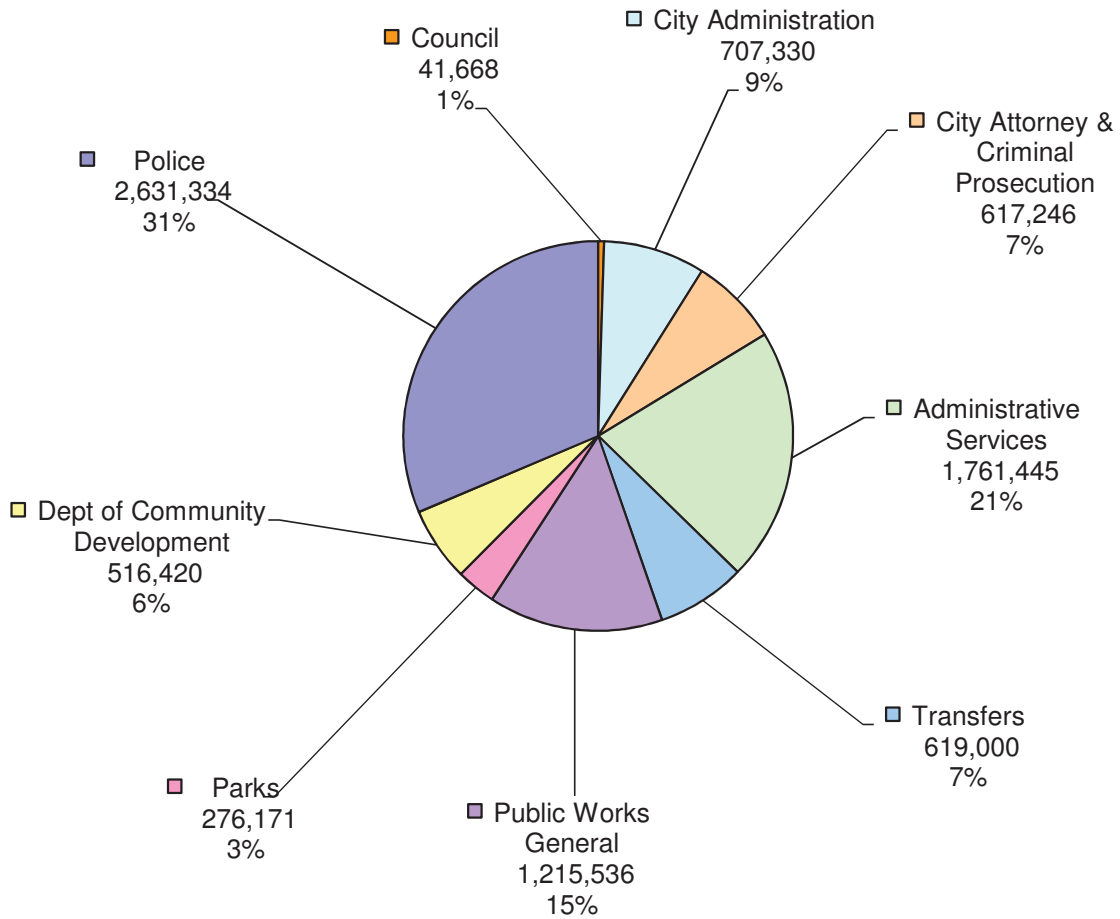
**General Fund Expenses
Total Expenses
8,386,149**



	2011 Actual	2012 Actual	2013 Actual	2014 Forecast	2014 Budget	2015 Budget	2015-2014 Amount	%
Beginning Fund Balance	1,495,647	1,614,777	1,756,105	1,868,524	1,582,825	1,739,842	157,017	9.9%
Total Revenues	7,790,213	8,173,236	8,252,928	8,171,203	8,526,205	8,399,740	(126,465)	-1.5%
Salaries & Benefits	4,990,287	5,323,611	5,173,914	5,421,742	5,420,380	5,457,300	36,920	0.7%
Operating Supplies	328,442	320,050	393,752	361,190	366,505	356,959	(9,546)	-2.6%
Charges for Services	1,376,625	1,218,465	1,342,005	1,431,449	1,532,168	1,451,918	(80,250)	-5.2%
Intergovernmental	400,530	492,361	467,590	436,297	485,854	418,592	(67,262)	-13.8%
Capital (Equip > \$7,500)	5,311	1,159	-	-	1	1	-	0.0%
Interfund Services	-	-	-	-	-	-	-	0.0%
InterDepartment	-	-	100	-	-	-	-	0.0%
NonExp/Transfers	571,695	679,285	761,600	649,110	649,111	701,379	52,268	8.1%
Total Expenses	7,672,890	8,034,931	8,138,861	8,299,888	8,454,019	8,386,149	(67,870)	-0.8%
Net Surplus/(Deficit)	117,323	141,303	114,067	(128,685)	72,186	13,591	(58,595)	-81.2%
Ending Fund Balance	1,612,970	1,756,080	1,870,172	1,739,839	1,655,011	1,753,433	98,422	5.9%

**City of Sequim
2015 Budget**

**Total General Fund Expenses
by Department
8,386,150**



	2011 Actuals	2012 Actuals	2013 Actuals	2014 Forecast	2014 Budget	2015 Budget	2015-2014 Amount	%
General Fund Total Expenses	7,672,891	8,034,223	8,138,861	8,299,888	8,454,018	8,386,150	(67,868)	-1%

**City of Sequim
2015**

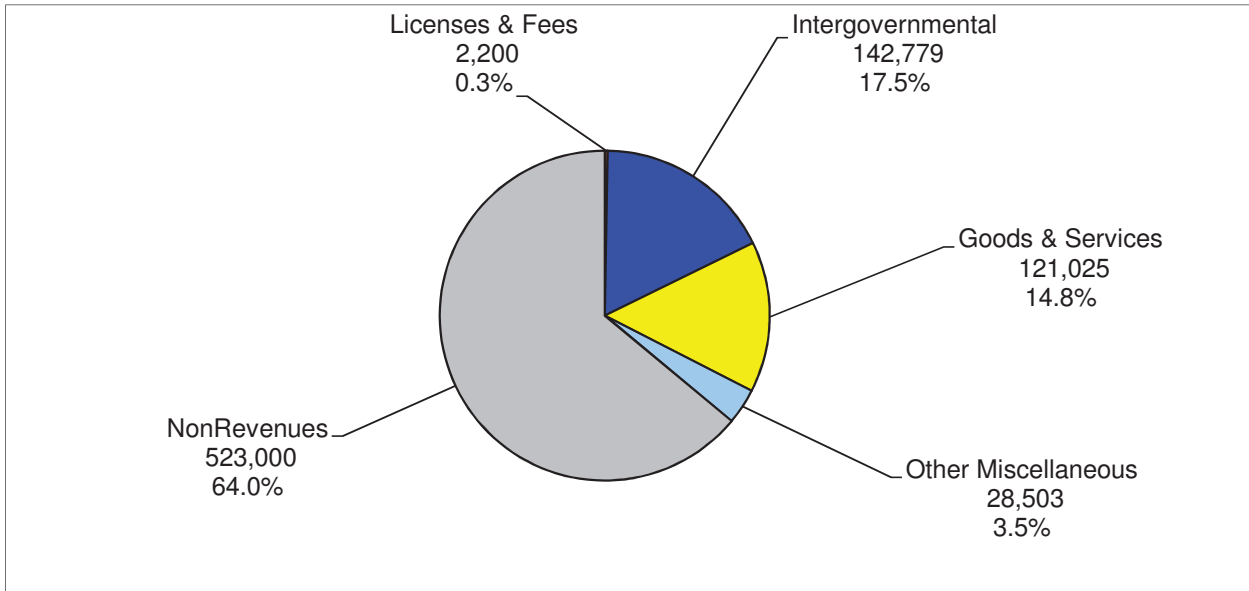
General Fund Expenses by Department

	2011 Actuals	2012 Actuals	2013 Actuals	2014 Forecast	2014 Budget	2015 Budget	2015-2014 Amount	%
General Fund								
Total Expenses	7,672,891	8,034,223	8,138,861	8,299,888	8,454,018	8,386,150	(67,868)	-1%
Council	44,189	37,382	47,511	42,021	43,566	41,668	(1,898)	-4%
City Administration								
City Manager	178,379	172,184	183,482	190,412	186,074	233,190	47,116	25%
City Clerk	215,387	238,163	239,351	223,320	224,544	219,040	(5,504)	-2%
Communications	61,854	47,923	49,791	53,865	54,051	48,694	(5,357)	-10%
Human Resources	266,405	180,123	176,450	202,354	201,612	206,406	4,794	2%
	722,024	638,393	649,074	669,951	666,281	707,330	41,049	6%
City Attorney & Criminal Prosecution								
City Attorney	244,934	149,797	151,068	165,210	164,642	156,975	(7,667)	-5%
Criminal Prosecution	426,365	530,374	524,986	493,287	535,767	460,271	(75,496)	-14%
	671,299	680,171	676,054	658,497	700,409	617,246	(83,163)	-12%
Administrative Services								
Finance & IT	980,290	1,072,175	1,105,270	1,217,549	1,203,494	1,242,509	39,015	3%
NonDepartmental	368,694	400,986	425,473	411,992	470,684	518,936	48,252	10%
	1,348,984	1,473,161	1,530,743	1,629,541	1,674,178	1,761,445	87,267	5%
Public Works General								
Public Works Admin	580,895	820,826	592,675	681,495	688,005	557,859	(130,146)	-19%
Facilities	417,700	410,571	452,048	457,138	471,406	414,037	(57,369)	-12%
Engineering	184,916	277,750	281,493	290,021	289,674	243,640	(46,034)	-16%
	1,183,512	1,509,147	1,326,216	1,428,654	1,449,085	1,215,536	(233,549)	-16%
Parks	187,101	176,328	173,486	230,011	242,486	276,171	33,685	14%
Dept of Community Development								
Growth Development	301,127	151,691	163,178	200,168	194,411	152,572	(41,839)	-22%
Building Development & Code Compliance	258,422	329,302	342,107	349,301	363,680	363,848	168	0%
	559,549	480,993	505,285	549,469	558,091	516,420	(41,671)	-7%
Police	2,384,734	2,480,152	2,530,492	2,651,744	2,679,923	2,631,334	(48,589)	-2%
Transfers								
Street Ops	253,000	477,336	400,000	400,000	400,000	340,000	(60,000)	-15%
StormWater Ops	100,000	28,840	-	-	-	-	0	
Street Capital	113,500	52,320	60,000	-	-	-	0	
Equip Reserves from 098	100,000			Transfers moved to Departments, See Below				
Cap Facilities/Debt Service			240,000	10,000	10,000	269,000	259,000	2590%
Solid Waste/Other	5,000	-		30,000	30,001	10,000	(20,001)	-67%
	571,500	558,496	700,000	440,000	440,001	619,000	178,999	41%
Transfer to Equipment Reserves Included in Department Budgets								
Transfers to 164	-	120,789	61,600	209,110	209,110	82,379	(126,731)	-61%

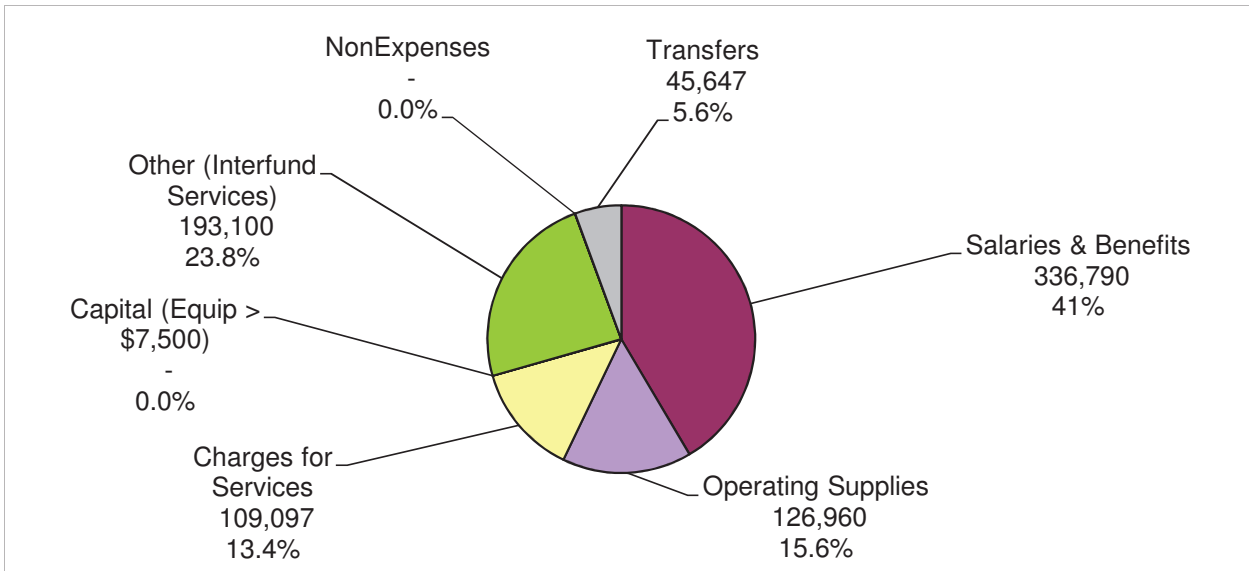
**City of Sequim
2015 Budget**

Street Operating Revenues & Expenses

Total Revenue \$ 817,507



Total Expenses \$ 811,594



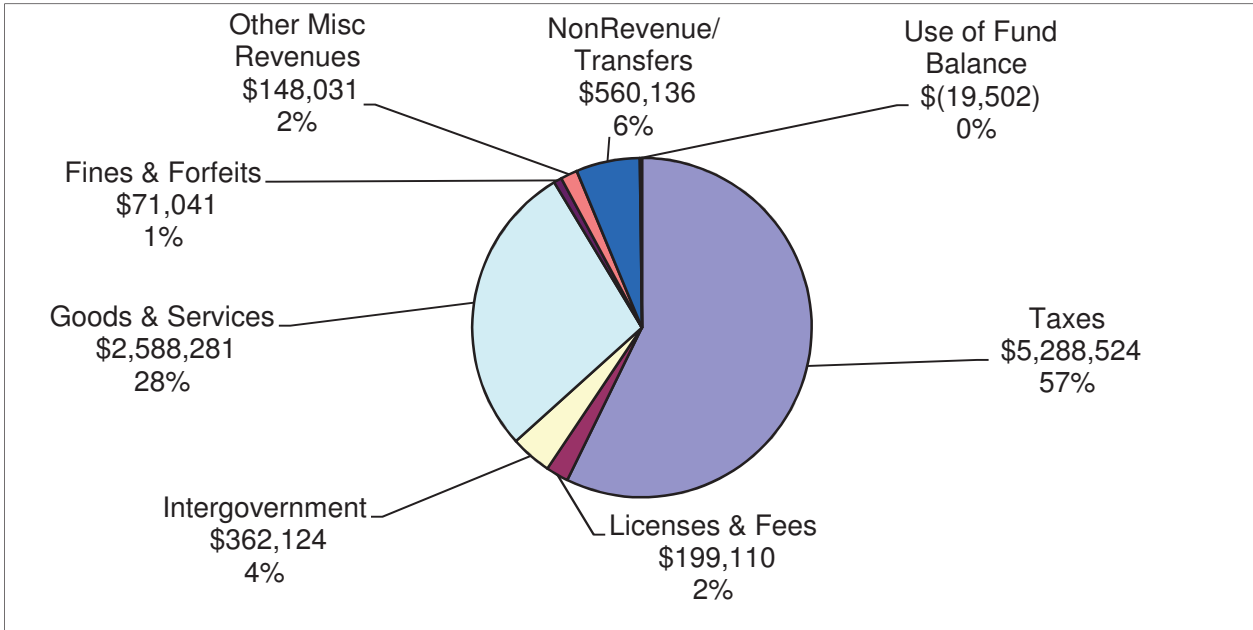
2015 Budget

Beginning Fund Balance	\$	148,618
Total Revenues		817,507
Total Expenses		811,594
Surplus/(Deficit)		5,913
Ending Fund Balance	\$	154,531

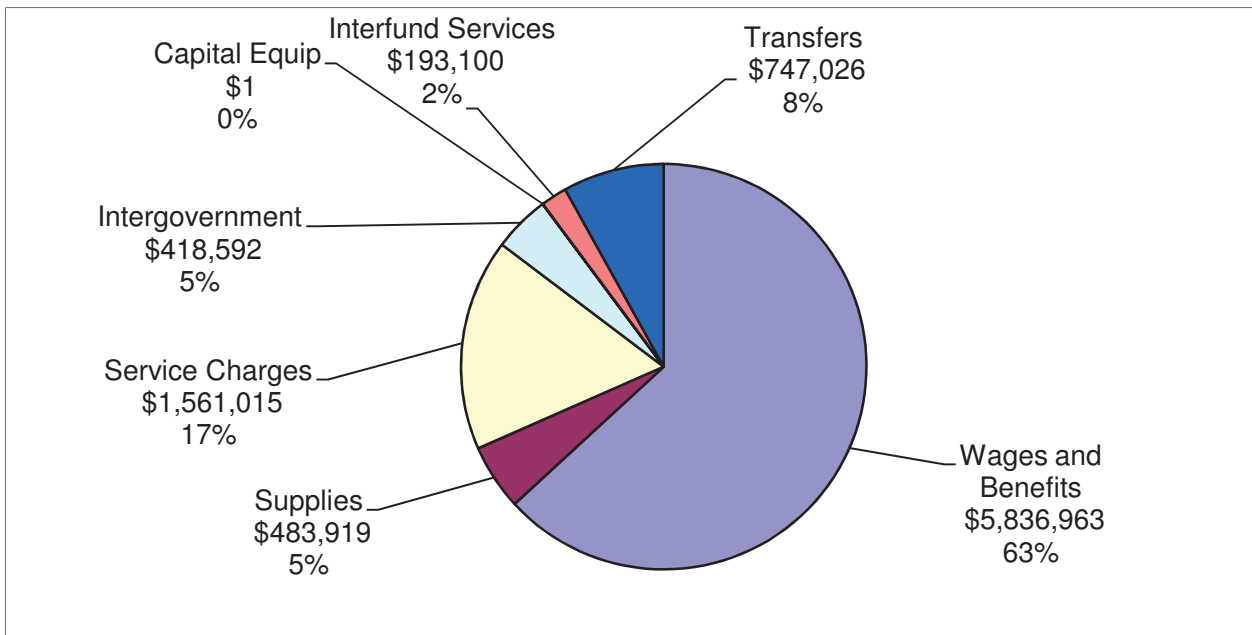
**City of Sequim
2015 Budget**

General Fund & Streets Operating Revenues & Expenses

Total Revenues \$ 9,197,745

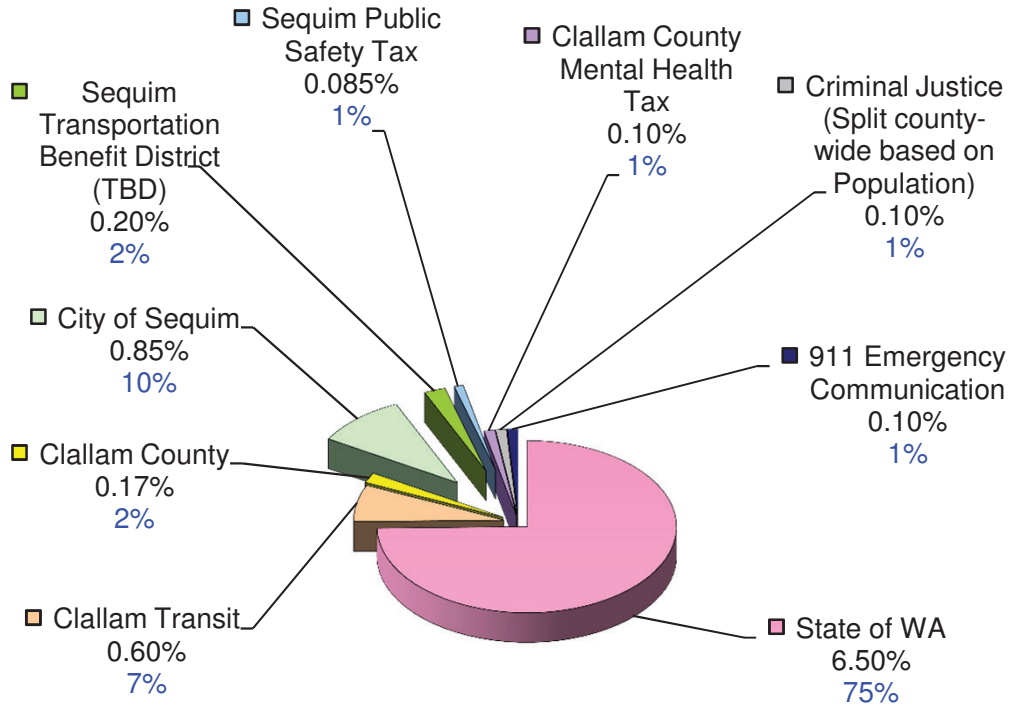


Total Expenses \$ 9,240,616



**CITY OF SEQUIM
2015**

**8.70% Sales Tax Distribution
Within the City Limits of Sequim**

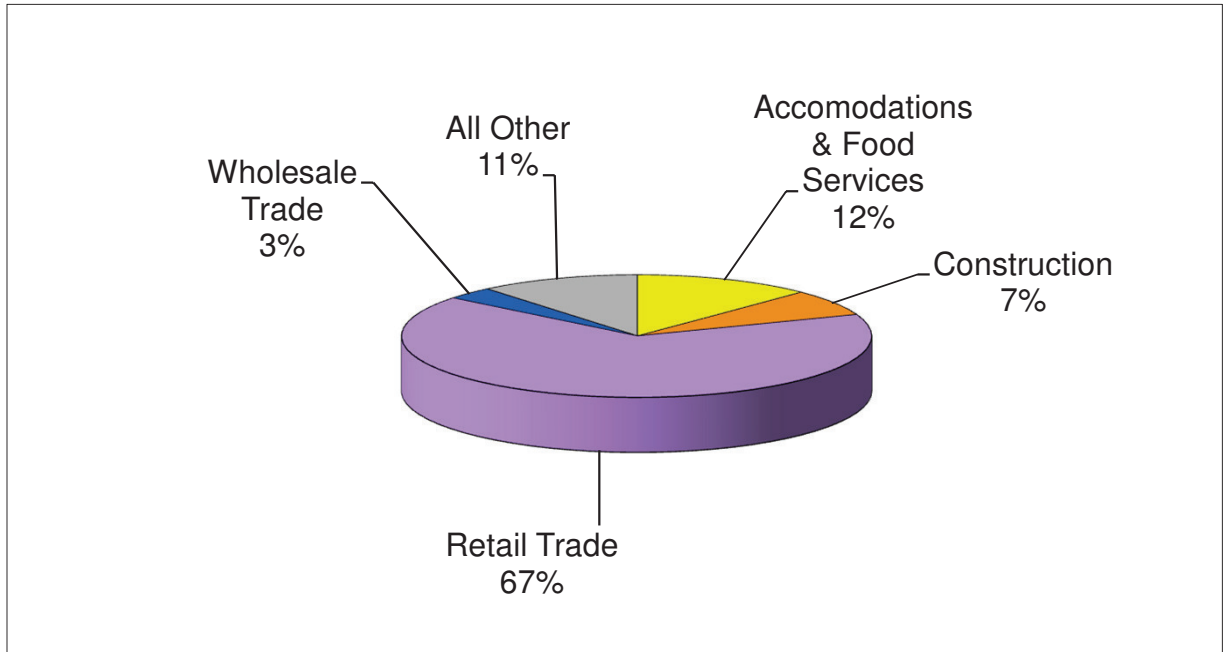


Distribution of Sales Tax Dollars		<i>Estimated</i> <i>Annual</i> <i>Tax Revenue</i> <i>Sequim Sales</i> <i>Generated</i>	
Total Tax %	8.70%	\$ 277,969,765	\$ 24,183,370
State of WA	6.50%		18,068,035
Clallam Transit	0.60%		1,667,819
Clallam County	0.17%		458,650
City of Sequim	0.85%		2,362,743
Sequim Transportation Benefit District (TBD)	0.20%		555,940
Sequim Public Safety Tax	0.085%		236,274
Clallam County Mental Health Tax	0.10%		277,970
Criminal Justice (Split county-wide based on Population)	0.10%		277,970
911 Emergency Communication	0.10%		277,970

The taxable base includes all retail sales of personal property to state residents and some types of services. Exclusions are food products consumed off the premises and prescription services drugs. are remitted by the retailers to the WA State Department of Revenue by the 25th of the month (for most taxpayers). The Department of Revenue distributes the local government's share (less fees) on the last day of the month following remittance to the State.

CITY OF SEQUIM
2015 Budget

Annual Sales Tax by Industry
Estimate based on 2014 Forecast

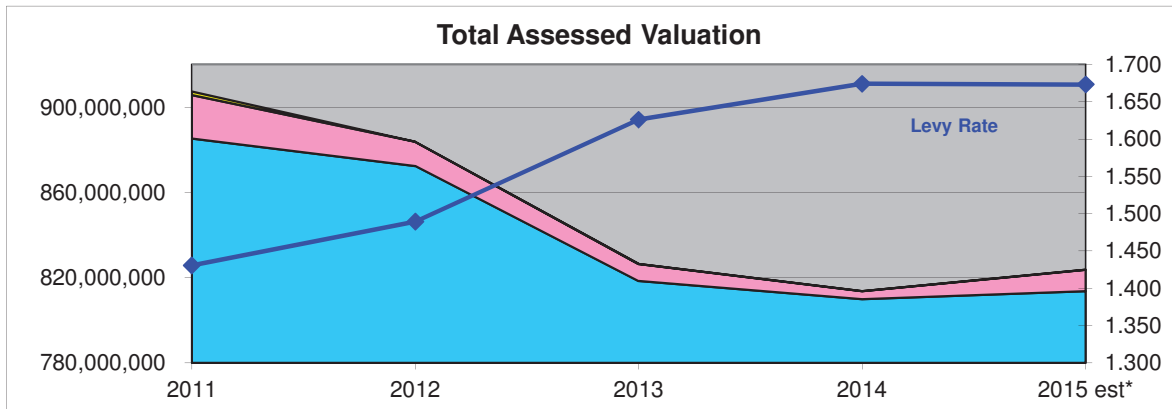


	2011 Actual	2012 Actuals	2013 Actuals	2014 Forecast	2015 Budget	2015-2014 Amount	%
Accommodations & Food Services	254,626	272,504	296,390	289,970			
Construction	181,805	139,557	142,777	165,024		Budget detail	
Retail Trade	1,438,379	1,434,724	1,498,410	1,565,367		by Industry not	
Wholesale Trade	103,303	67,857	72,944	77,797		available	
All Other	302,462	260,209	243,457	259,323			
State Adjustments	31,307	5,657	22,709	-			
Total	\$ 2,311,882	\$ 2,180,508	\$ 2,276,687	\$ 2,357,481	\$ 2,362,743	\$ 5,262	0.22%

Estimated Annual

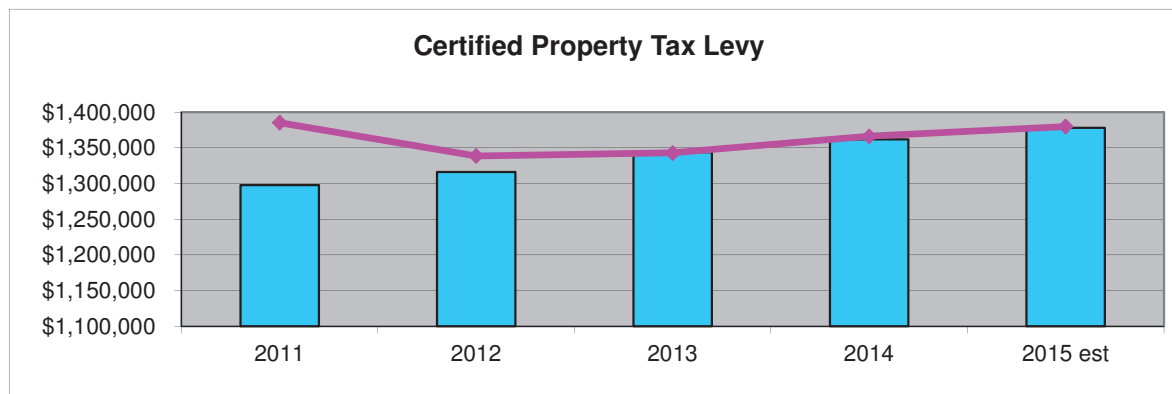
Sequim Sales \$271,986,118 \$256,530,353 \$267,845,529 \$ 277,350,706 \$ 277,969,765

**City of Sequim
2015 Budget
Property Tax**



	Levy Rate	1.43066	1.48922	1.62605	1.67408	1.67310
		2011	2012	2013	2014	2015 est*
Existing Properties		885,198,077	872,379,918	818,328,871	809,854,861	813,614,967
New Construction		20,457,733	11,284,939	8,030,406	3,760,106	10,000,000
Annexation		1,585,754	-	-	-	-
Prior Year Assessed Value		\$ 907,241,564	\$ 883,664,857	\$ 826,359,277	\$ 813,614,967	\$ 823,614,967

2015 estimate, prelim valuation 9/24/14



Property Tax is a major source of revenue for the General Fund. The property tax increase is limited by state statute.

	2011	2012	2013	2014	2015 est
Certified Property Tax Levy	\$ 1,297,951	\$ 1,315,974	\$ 1,343,705	\$ 1,362,056	\$ 1,377,990
Highest Lawful Levy (prior year)	1,260,433	1,305,041	1,334,570	1,359,875	1,379,822
1% Increase	12,604	13,050	13,346	13,599	13,798
New Construction	29,264	16,145	11,959	6,348	16,740
State Assessed Properties	459	334	-	-	-
Annexation	2,281	-	-	-	-
Recover Refunded Amounts	2,973	1,544	2,613	2,650	2,500
Allowable Levy (Tax)	\$ 1,308,014	\$ 1,336,114	\$ 1,362,488	\$ 1,382,472	\$ 1,412,860

	Property Tax Collection				
	2011	2012	2013	2014 Forecast	2015 Budget
Actual Property Taxes Received	\$ 1,385,322	\$ 1,338,578	\$ 1,342,846	\$ 1,366,141	\$ 1,379,802
Collection Rate	107%	102%	100%	100%	100%
Year-End Tax Receivables	\$ 102,361	\$ 79,756	\$ 80,616	\$ 76,531	\$ 74,719

The above "Actual Property Taxes" reflects what the City receives based on tax collections, which is often less than the levied rate.

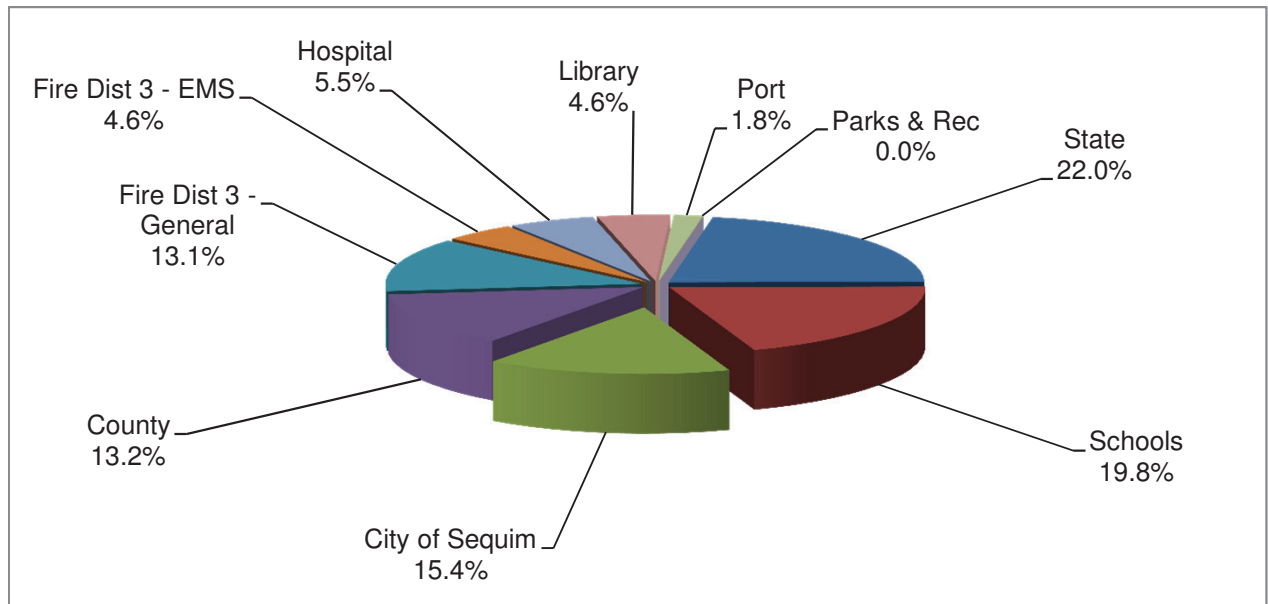
City of Sequim 2015 Budget

2014 Property Tax Levy Rate

(2015 estimates not available from Assessor's Office)

<u>Clallam County Levy</u>		
2013 Clallam County Total Valuation:	\$	7,002,941,388
2013 City of Sequim Valuation:	\$	813,614,967
2014 Distribution per \$1,000 Assessed Value:	\$	10.89
Total 2014 Property Tax Levied:	\$	8,863,771

Distribution of Property Tax Dollars			<u>Estimated Sequim Property Tax</u>
	<u>% Distribution</u>	<u>Rate per \$1,000</u>	
State	22.0%	2.40165	1,954,016
Schools	19.8%	2.15650	1,754,562
City of Sequim	15.4%	1.67408	1,362,056
County	13.2%	1.44158	1,172,893
Fire Dist 3 - General	13.1%	1.42592	1,160,150
Fire Dist 3 - EMS	4.6%	0.50000	406,807
Hospital	5.5%	0.59455	483,736
Library	4.6%	0.50000	406,807
Port	1.8%	0.20002	162,742
Parks & Rec	0.0%	0.00000	-
	100.0%	10.89431	\$ 8,863,771



2014 Example Property Tax Calculation

<u>Assessed Value</u>	<u>Total Tax</u>	<u>City of Sequim's Share</u>
\$150,000	\$1,634	\$251
\$200,000	\$2,179	\$335
\$250,000	\$2,724	\$419

Assessed Value x Levy Rate / \$1000 = Annual Property Tax



City Of Sequim Department Description

Municipal Debt Capacity & Type of Debt

General Obligation Debt¹

According to Washington State law, voters may approve general obligation debt issues of up to 7.5% of the City's assessed valuation. This 7.5% debt capacity is allocated evenly between general government purposes, utilities and open space, park facilities & capital facilities associated with economic development, resulting in a 2.5% limit for each. All voted bonds require a 60% majority approval. To validate the election, the total votes cast must equal at least 40% of the total votes cast in the last general election.

Under RCW 39.36.020(2), the public may vote to approve **Unlimited Tax General Obligation (UTGO)** bond issues for general government in an amount not to exceed 2.5% of the assessed valuation. UTGO Bonds represent debt that was approved by voters for a specific purpose. In this case, citizens have agreed to levy property taxes to repay the debt generally over a twenty-year period. Within the 2.5% limit, the City Council may approve **Limited Tax General Obligation (LTGO)** bond issues (also called Councilmanic Bonds) not to exceed 1.5% of the City's assessed valuation. LTGO Bonds can be issued with approval of the City Council. The 1.5% can be used for any municipal purpose, including using the entire amount for bonds. This non-voted debt is repaid from general revenues of the City.

Under RCW 39.36.020(4), the public may vote to approve **Parks, Open Space and Capital Facilities associated with Economic Development** bond issues and **Utility Purpose** bond issues. Each of which is also limited to 2.5% of the City's assessed valuation.

Although the City can legally issue up to 7.5% of its assessed valuation, bond-rating agencies have a lower threshold for an acceptable debt load. Bond rating agencies use several criteria for determining the level of debt a city can maintain. The two most important are debt as a percent of assessed valuation and debt per capita. As a general rule, debt in excess of 4.5% of assessed valuation is viewed as a cause for concern.

Other Long Term Debt

Revenue bonds are used to finance construction or improvements to facilities of enterprise systems operated by the City and are generally payable from the revenues of the enterprise. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to the City's statutory debt limitation and voter approval is not required.

Public Works Trust Fund loans and State Revolving Fund loans are low interest and/or interest-free loans granted to Washington cities based on a competitive and comprehensive loan application process. The cities are evaluated based on 60% professional management and 40% city need. Those cities scoring highest in the State's evaluation process receive the favorable loans. The more significant qualifying criteria require cities to:

- Impose the ¼ of one percent real estate excise tax
- Develop a long-term plan for financing public work needs
- Use all local revenue sources which are reasonably available for funding public works
- Adopt a comprehensive plan
- Demonstrate a history of maintaining the city's utility system
- Demonstrate a commitment to professional management.

¹ RCW 39.36 – Public Contract & Indebtedness – Limitation of Indebtedness of taxing districts

City Of Sequim Budget Overview

Debt Summary

2015 Key Goal

- ❖ Manage the City's Municipal Debt and protect the City's credit rating (AA-)
 - Conservatively manage funding sources
 - Make timely debt payments
 - Prepare timely and accurate financial information that demonstrates compliance the a myriad of financial policies for Council and Rating Agencies

2015 Budget

- ❖ \$10.68m in LTGO debt was issued in August 2013 for the Civic Center project with total debt service in 2015 of \$660k
 - Funded with \$269k General Fund, \$230k from the Public Safety Tax, \$135k from REET and \$16k from interest on investment of the bond proceeds
- ❖ Keeler Park debt payments continue through 2018 at \$82k per year, funded by Park Impact fees and cell tower rental income
- ❖ Current Utility Debt payments continue as in prior years and are funded by Utility Rates
- ❖ Future utility loans/bonds and debt service related to other water and sewer infrastructure improvement
 - Water and sewer revenue bonds totaling approximately \$3m to fund the utility portion of the Civic Center project, and related debt service of \$115k per utility
 - Drinking Water Revolving Funds - \$862k
 - Other State Revolving Funds - \$720k

General Obligation Debt

2013 Limited Tax General Obligation (LTGO) Bond – Civic Center Project

In 2013, the City issued \$10.68m in LTGO debt to provide funds for a portion of the City's Civic Center Project as well as to pay the costs of issuance and sale of the bonds (\$241k). Payment on the \$10.68m 30 year bond at 4.53% began in 2014, with interest only payments required in the first year and a half. Payments thereafter are \$660k annually. The bond matures in December 2043.

2009 LTGO Bond - Keeler Property Acquisition

In 2008, the City entered into an agreement to purchase park lands known as Keeler Park. In 2009, the City issued \$675k in debt to finance the purchase. The 10 year debt at 3.95% interest began repayment in June 2009 and the final payment was scheduled for December 2019. In June 2010, Ducks Unlimited contributed a \$200k North American Wetlands Conservation Act Grant to the City to put towards the purchase of the property, a habitat protected for birds, elk, and deer. The grant proceeds were used to pay down the 2009 debt. The final payment of the debt is now in December 2016.

Compensated Absences

The City is obligated to pay accrued vacation and sick-leave to its employees in accordance with union contracts and internal personnel policies. Although Compensated Absences are not payable to employees on a particular schedule, like loans and bonds, they can become a sizable liability to agencies. In 2011, the State Auditor's Office clarified requirements for debt capacity calculations to include these obligations. Rating agencies exclude this particular obligation when calculating debt capacity.

Utility Debt

1998 WA State Revolving Fund (SRF) Loan – Sewer Reclaimed Water Facility

The City received a \$5.324 million loan from the Washington Water Pollution Control – State Revolving Fund (SRF) Loan. This award was used to assist in the construction of a new "Class A" sewer reclamation facility at the City's sewer treatment plant and to extend the sewer outfall if grant funds were insufficient. Repayment commenced March 1, 1999 and continues at 0% interest, but interest is subject to change. Final payment is scheduled for March 2018.

City Of Sequim Budget Overview

2009 WA State Revolving Fund (SRF) Loan – Sewer Water Reclamation Facility Upgrade & Expansion

The City received a \$5.540 million loan from the Centennial Clean Water Program, Washington State Water Pollution Control Revolving Fund, WA State Department of Ecology. This award was used for the upgrade and expansion of a Water Pollution Control Facility. Repayment commenced on January 2011 at 2.1% interest. Final payment is scheduled for January 2030.

2013 WA State Public Works Trust Fund Loan (PWTF) for Aerobic Digester Upgrade

City Council approved a loan of \$520k with an interest rate of 0.5% for a project to upgrade the current digesters and aeration system to allow greater control by the operators as well as improve energy efficiency. The City expects to collect the remaining \$510k of the proceeds in 2015, as the project deadline for completion is June 2015. Ten annual payments of principal and interest on the loan balance commence one year after completion of the project.

2015 Water and Sewer Revenue Bonds

In 2014, Council approved a revenue bond proposal to fund the utility portion of the Civic Center project. The City is planning for approximately \$3m in proceeds, plus issuance costs and enough for a reserve/coverage amount that will likely be required by the bond covenants. Estimated debt service for each of the utilities will not exceed \$115k per year. This obligation is reflected in the budget (the 411 Water Restricted and 422 Sewer Restricted funds).

2015 Water and Sewer Loans - Other

In 2013, Water and Sewer Capital Improvement Plans were adopted by Council and a Utility Rate Study was accepted. In 2014, the Capital Improvement Program (CIP) was also adopted. The plans/programs identified capital projects required to maintain the systems as well as meet the demands of growth in the area. The Rate Study provided information on revenue requirements of both enterprise funds over a 20 year period. Staff analyzed various alternative financial strategies and determined that a combination of rate increases and new debt in both water and sewer funds would be required to maintain satisfactory cash flow and reserves. New debt will depend upon the capital projects the City is capable of initiating and managing.

The City currently expects to obtain a Drinking Water Revolving Fund (DWRF) loan of \$862k in 2015 to fund expansion of the 5th & McCurdy booster station operations, replacement of an AC line on West Fir from 5th to Sequim Ave, expand services to Emerald Highlands, and general asbestos line replacement and oversizing.

The City is also applying for additional SRF funds totaling \$720k to assist in upgrading the Aerobic Digester project mentioned above, including headworks and grit removal system improvements.

City of Sequim 2015 Budget

Debt Capacity

Based on Prior Year Assessed Value

<i>Amount at End of Year</i>	<u>2011</u> <u>Actuals</u>	<u>2012</u> <u>Actuals</u>	<u>2013</u> <u>Actuals</u>	<u>2014</u> <u>Forecast</u> <small>as of 9/2014</small>	<u>2015</u> <u>Budget</u>
Prior Year Assessed Property Value	907,241,564	883,664,857	826,359,277	813,614,967	823,614,967
				<small>2015 estimates, prelim valuation 9/24/14</small>	
General Purpose Debt Limit					
NonVoted Debt Limit 1.5% (councilmanic)	13,608,623	13,254,973	12,395,389	12,204,225	12,354,225
Voted Debt Limit 1.0%	9,072,416	8,836,649	8,263,593	8,136,150	8,236,150
Debt Limit 2.5%	22,681,039	22,091,621	20,658,982	20,340,374	20,590,374
Utility Purpose Debt Limit					
Voted Debt Limit 2.5%	22,681,039	22,091,621	20,658,982	20,340,374	20,590,374
Open Space, Park & Capital Facilities Debt Limit					
Voted Debt Limit 2.5%	22,681,039	22,091,621	20,658,982	20,340,374	20,590,374
Total General Obligation Debt Capacity	68,043,117	66,274,864	61,976,946	61,021,123	61,771,123
NonVoted General Obligation Debt Outstanding					
City Hall/Police Facility LTGO			10,680,000	10,680,000	10,455,000
Keeler Park Note/Bond	349,193	279,941	207,926	133,038	55,163
Compensated Absence Accrual	724,097	715,662	763,002	654,454	620,000
NonVoted GO Debt Outstanding	1,073,290	995,602	11,650,928	11,467,492	11,130,163
NonVoted Debt Capacity					
Voted Debt Capacity	12,535,333	12,259,370	744,462	736,733	1,224,062
Availalable GO Debt Capacity	54,434,494	53,019,891	49,581,557	48,816,898	49,416,898
	66,969,827	65,279,262	50,326,018	49,553,631	50,640,960
	-	-	-	-	-
GO Debt as % of Assessed Value	0.12%	0.11%	1.41%	1.41%	1.35%
Industry Standard not to exceed	4.5%				37,062,674
GO Debt per Capita	162	147	1,700	1,660	1,607
Population	6,625	6,795	6,855	6,910	6,924

Revenue Debt Outstanding (excluded from General Purpose Debt limits)

<i>Amount Outstanding at End of Year</i>	<u>2011</u> <u>Actuals</u>	<u>2012</u> <u>Actuals</u>	<u>2013</u> <u>Actuals</u>	<u>2014</u> <u>Budget</u>	<u>2015</u> <u>Budget</u>
SRF 2010: DOE State Revolving Fund	5,442,967	5,199,625	4,951,124	4,697,353	4,438,201
SRF 1997: DOE State Revolving Fund	1,774,666	1,501,641	1,228,615	955,590	682,564
PWTF 2013: Aerobic Digester Loan			9,675	9,675	520,000
2015 Possible New Water & Sewer Debt				-	4,582,000
² SE 98: Sewer Bonds	230,000	-			-
¹ WA 96: Water Bonds	270,000	-			-
Revenue Debt Outstanding	7,717,633	6,701,266	6,189,414	5,662,618	10,222,766

² 2012: Paid off early

Per amortization Schedule Principal outstanding (cash basis: interest not recorded until due)

**City of Sequim
2015 Budget
Debt Capacity**

